

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 SAJ-01 SCI-06 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

STR-08 CEA-02 DRC-01 /180 W
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R 291013Z APR 74

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 8326

INFO AMEMBASSY BELGRADE

USMISSION BERLIN

AMEMBASSY BONN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

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E.O. 11652: N/A

TAGS: ETRD EFIN ENRG UR COMECON

SUBJ: CEMA EXECUTIVE COUNCIL MEETING: AGREEMENTS ON IRON
ORE AND FERROALLOY PRODUCT IN USSR

REF: A) MOSCOW 6302; B) MOSCOW A-134

1. SUMMARY. TYPICALLY LIMITED COMMUNIQUE FOLLOWING
RECENT MEETING IN MOSCOW OF CEMA EXECUTIVE COMMITTEE
REPORTS THAT COMMITTEE APPROVED TWO SEPARATE AGREE-
MENTS--APPARENTLY ON PRELIMINARY BASIS--FOR INVESTMENT
BY CEMA COUNTRIES "ON TERRITORY OF USSR" IN PROJECTS
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FOR PRODUCTION OF IRON ORE AND FERROALLOYS.

SHIPMENTS OF MATERIALS, EQUIPMENT, MACHINERY AND TECHNOLOGY FROM CEMA MEMBERS TO BE REPAID IN EXPANDED SHIPMENTS OF IRON AND FERROALLOYS FROM USSR BEGINNING ABOUT 1980. BULGARIA, HUNGARY, GDR, POLAND, USSR AND CZECHOSLOVAKIA WILL PARTICIPATE IN BOTH AGREEMENTS, ROMANIA ONLY IN AGREEMENT FOR PRODUCTION OF FERROALLOYS. PROJECTS ARE PROBABLY CEMA-FINANCED SECTOR OF KURSK STEEL COMPLEX, PART OF WHICH BEING BUILT UNDER AGREEMENT WITH FRG. COMMITTEE ALSO APPROVED PLANS FOR OTHER PROJECTS AND APPROVED AGREEMENT FOR INCREASED PRODUCTION OF CHEMICAL DYES WHICH WILL BENEFIT CEMA LIGHT INDUSTRY OUTPUT DURING PERIOD 1976-80. END SUMMARY.

2. RELATIVELY SHORT ARTICLES IN CENTRAL PRESS REPORT COMMUNIQUE OF EXECUTIVE COMMITTEE OF COUNCIL FOR MUTUAL ECONOMIC ASSISTANCE (CEMA) WHICH MET IN MOSCOW APRIL 23-25. MEETING ATTENDED BY REPRESENTATIVES FROM ALL CEMA MEMBER COUNTRIES AND BY REPRESENTATIVE FROM YUGOSLAVIA.

3. WITHOUT NAMING LOCATION OF PROJECTS, COMMUNIQUE REPORTS COMMITTEE APPROVAL OF TWO SEPARATE GENERAL AGREEMENTS ON MULTILATERAL COOPERATION FOR THE DEVELOPMENT OF PRODUCTION OF IRON ORE AND FERROALLOYS "ON TERRITORY OF THE USSR." AGREEMENT ON COOPERATION IN PRODUCTION OF FERROALLOYS SIGNED BY BULGARIA, HUNGARY, GDR, POLAND, ROMANIA, USSR AND CZECHOSLOVAKIA. AGREEMENT ON DEVELOPMENT OF IRON ORE SIGNED BY SAME COUNTRIES WITH EXCEPTION OF ROMANIA.

4. UNDER TERMS OF AGREEMENTS, CONTRACTING COUNTRIES WILL DELIVER "DESIGN TECHNOLOGY, MATERIALS, MACHINES AND EQUIPMENT, AND ALSO CONSUMER GOODS AND OTHER GOODS" FOR CONSTRUCTION AND EXPANSION OF MINING AND FERROALLOY ENTERPRISES. IN RETURN, SOVIET DELIVERS TO CONTRACTING COUNTRIES OF PURE (REFINED) IRON AND, PRESUMABLY, FERROALLOYS, WILL INCREASE BY ABOUT 25 PERCENT OVER 1975 LEVELS BEGINNING ABOUT 1980.

5. COMMITTEE ALSO APPROVED REPORTS ON COORDINATION OF CEMA COUNTRY PLANS FOR PERIOD 1976-1980 AND "DEVELOPMENT OF PROJECTS" IN ACCORDANCE WITH PLANS FOR MULTILATERAL LIMITED OFFICIAL USE

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INTEGRATION. IT ALSO APPROVED AN AGREEMENT FOR EXPANDED PRODUCTION FROM 1976 THROUGH 1980 OF CHEMICAL DYES WHICH WILL RESULT IN IMPROVEMENT OF LIGHT INDUSTRY PRODUCTION IN CEMA COUNTRIES.

6. COMMENT. IN CHARACTERISTIC FASHION, THIS LATEST CEMA COMMUNIQUE IS VAGUE AND INCOMPLETE, CONFORMING WITH OPAQUE ATMOSPHERE WHICH CEMA ORGANIZATION MAINTAINS IN MOSCOW.

7. IT SEEMS PROBABLY THAT REFERENCES TO AGREEMENTS ON IRON ORE AND FERROALLOY PRODUCTION REFER TO PLANNED CEMA INVESTMENT IN KURSK STEEL COMPLEX, PART OF WHICH WILL BE CONSTRUCTED WITH EQUIPMENT AND TECHNOLOGY SUPPLIED BY FRG. A PAYOFF IN FORM OF INCREASED DELIVERIES OF PURE IRON TO EE CEMA COUNTRIES IN RETURN FOR INVESTMENTS IN KURSK WAS MENTIONED AT RECENT AGITPROP LECTURE IN MOSCOW (REF B). REASON FOR ROMANIAN NON-PARTICIPATION IN IRON ORE PROJECT NOT CLEAR, ALTHOUGH IT MAY BE BECAUSE OF PREVIOUS ROMANIAN INVESTMENT IN IRON ORE PRODUCTION IN USSR TO MEET REQUIREMENTS OF GALATI STEEL MILL. CONSUMER GOODS FROM EAST EUROPEAN COUNTRIES WOULD BE SOLD IN USSR FOR RUBLES TO BE USED IN PAYMENT OF LOCAL COSTS. ALTHOUGH AGREEMENT WERE SIGNED BY MEMBERS OF EXECUTIVE COMMITTEE, THEY ARE PROBABLY PRELIMINARY UNTIL FULLY APPROVED BY ALL PARTICIPATING GOVERNMENTS.

8. COMMUNIQUE MAKES NO MENTION OF DISCUSSION OF ORENBURG NATURAL GAS LINE OR PLANS FOR NEXT CEMA COUNCIL MEETING AT SOFIA, BOTH OF WHICH SUBJECTS WERE REPORTEDLY CONSIDERED ACCORDING TO INFORMATION PROVIDED EMBASSY BY WELL INFORMED MEMBER OF ONE OF MOSCOW ECONOMIC INSTITUTES (REF A).
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IRON, ECONOMIC DEVELOPMENT, TECHNICAL ASSISTANCE, AGREEMENTS, MEETING REPORTS, FERROALLOYS, PROGRAMS (PROJECTS), CHEMICALS
Control Number: n/a
Copy: SINGLE
Draft Date: 29 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MOSCOW06326
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740101-0511
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974046/aaaaafai.tel
Line Count: 139
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A) MOSCOW 6302; B) MOSCOW A-134
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 19 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 APR 2002 by cunninfx>; APPROVED <12 JUN 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CEMA EXECUTIVE COUNCIL MEETING: AGREEMENTS ON IRON ORE AND FERROALLOY PRODUCT IN USSR
TAGS: ETRD, EFIN, ENRG, UR, RO, BU, PO, CZ, COMECON, CEMA
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005